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DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

PRESENT POLICY APPROACHES TO REDUCE CO2 EMISSIONS IN THE IRON AND STEEL
SECTOR

7-8 November 2006

Presentation by John Newman.

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Present Policy Approaches to Reduce CO₂ Emissions in the Iron and Steel Sector

OECD Steel Committee -- 7 & 8 November 2006, Paris

John Newman

Energy and Environment Consultant

Outline

- I&S GHG emissions
- Policy Context
- National Voluntary Approaches
- Emissions Allowance Systems
- Clean Development Mechanism (CDM)
- Research and Development

I&S GHG emissions

- 3.0% of world GHG emissions
- 2/3 direct; 1/3 indirect (from electricity)
- Top 10 producing countries = 75% of industry emissions
- CO2 Intensity: declined 5% 1990-2003
-22% in OECD; -2% in non-OECD

Policy Context

- Kyoto Protocol (2008-2012)
- Asia-Pacific Partnership on Clean Development and Climate
- National and regional efforts
- Increasing state and local efforts
(e.g. California Global Warming Solutions Act of 2006)

National Voluntary Approaches

- 12 OECD countries apply voluntary approaches to iron and steel sector
- Varying levels of ambition
 - Completely voluntary; no penalties
 - Wallonia, Finland, Korea, Luxembourg, the US
 - Threat of regulations or taxes
 - Flanders, Germany, Japan, Netherlands
 - Direct links to regulations or taxes; penalties
 - Canada, France, Switzerland, the UK

Emissions Allowance Systems

- EU Emissions Trading System (ETS)
 - 1st period 2005-2007; 2nd period 2008-2012
 - cap-and-trade; €40/tonne penalty (€100, 2nd)
 - large industry only; CO₂ only (1st period)
 - national allocation plans
- Under development -- Canada, Japan, Korea, New Zealand, Norway, Switzerland, Australian states/territories, California, and north-east and mid-Atlantic regions of the US

Clean Development Mechanism

- Project-based mechanism, with formal procedures to assure adherence to strict additionality, leakage and other criteria.
- 16 registered I&S projects (of 420 total)
3.2 MT CO₂/year (2.9% of total CDM)
- Most I&S projects involve the use of waste heat from coke ovens, DRI kilns and blast furnace offgases to generate electricity.
- Most I&S projects in India, some in China, Brazil, the Philippines and South Africa.

Research and Development

- IISI CO₂ Breakthrough Programme
 - Australia, Brazil, Canada, Europe, Japan, Korea, US
 - 3 phases: 2004 to 2014; commercial in 20-50 years
- European Steel Technology Platform
 - 48 participants working on four steel R&D priorities, including: "safe, clean, cost-effective and low capital intensive technologies."
 - Envisaged to carry out the ULCOS (Ultra Low CO₂ Steelmaking) project.

Discussion Topics

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- **Principal strategies to emissions reductions?**
-- what carbon price?
- **Future of voluntary agreements**
-- possible links to emissions trading and CDM
- **Possible roles of international benchmarking activities**
-- e.g. to improve the fairness of National Allocation Plans (NAPs)